

## Message Text

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ACTION COME-00

INFO OCT-01 EUR-12 IO-10 ISO-00 EB-07 AID-05 CEA-01

CIAE-00 FRB-03 INR-07 NSAE-00 CIEP-01 SP-02 STR-04

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FM AMCONSUL MUNICH

TO SECSTATE WASHDC 6098

AMEMBASSY BONN

INFO USDEL MTN GENEVA

USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL MILAN

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E.O. 11652: N/A

TAGS: EGEN, EEC, GW

SUBJECT: SIEMENS' REACTION TO CII-HONEYWELL-BULL MERGER

REF: STATE 175434, BRUSSELS 5270, BONN 8142 NOTAL

1. SUMMARY: MUNICH DISCUSSED HONEYWELL-BULL MERGER WITH  
DIRECTOR OF DATA TECHNICAL DIVISION, SIEMENS. DISCUSSION  
WAS WIDE-RANGING AND UNINHIBITED. SIEMENS FEELS UNIDATA WAS  
EFFECTIVELY KILLED BY MERGER AND THUS SIEMENS WILL LOOK FOR NEW  
PARTNER IN MEDIUM TO LARGE SIZE MAINFRAME COMPUTER  
MANUFACTURING FIELD. MOST LIKELY IS UNIVAC DIVISION, SPERRY-  
RAND. END SUMMARY.

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2. ACCORDING TO DIRECTOR, THE PRESIDENTS OF CII'S FRENCH PARENT FIRMS, COMPAGNIE GENERAL ELECTRIC (CGE) AND THOMPSON-CSF(TC) WERE AND ARE STRONG PERSONAL ENEMIES. THIS HAD CAUSED DIFFICULTIES IN THE OPERATION OF CII FROM THE BEGINNING. CGE APPARENTLY GAINED THE MOST INFLUENCE WITH THE FRENCH GOVERNMENT AND WAS ABLE TO STIFLE TC'S PARTICIPATION IN CII. CGE APPARENTLY FORESAW BUSINESS ADVANTAGES IF IT COULD FORCE TC TO EITHER RELINQUISH PARTICIPATION IN CII OR TO LEAVE THE COMPUTER FIELD ALTOGETHER. IT APPEARS TO HAVE SUCCEEDED ON BOTH COUNTS. DIRECTOR CLAIMED NOT TO HAVE ALL DETAILS ON THE INTRAMURAL SQUABBLE, BUT STATED CATEGORICALLY THAT THE FRENCH GOVERNMENT ITSELF HAD DECIDED TO SUPPORT CGE AND AGREED WITH CGE THAT A MERGER OF CII AND HONEYWELL-BULL WAS THE BEST AVAILABLE OPPORTUNITY TO FORM A STRONG FRENCH COMPUTER FIRM THAT MIGHT HAVE SOME REASONABLE HOPE OF COMPETING, AT LEAST DOMESTICALLY, WITH IBM.

3. SIEMENS CONSIDERED UNIDATA TO BE A THREE-CORNER CONTRACTURAL ARRANGEMENT WITH ITSELF, PHILLIPS, AND CII. THE DEMISE OF CII AS A SEPARATE ENTITY HAS, ACCORDING TO SIEMENS, EFFECTIVELY CANCELLED THE CONTRACT AND THUS TERMINATED EXISTENCE OF UNIDATA. THEY EXPECT NO FURTHER COOPERATION FROM CII/HONEYWELL AND DO NOT, AT THIS TIME, CONTEMPLATE COOPERATING WITH HONEYWELL IN FURTHER PROJECTS OR DEVELOPMENT PROGRAMS. SIEMENS WILL TAKEOVER ALL PROJECTS CURRENTLY UNDERWAY IN GERMANY AND COMPLETE OR ABANDON THEM AS BUSINESS CONDITIONS MAY DICTATE. SIEMENS IS CONSIDERING FURTHER COOPERATION WITH PHILLIPS, ESPECIALLY IN THE FIELD OF SMALL COMPUTERS. NO FORMAL ARRANGEMENTS FOR THIS HAVE AS YET BEEN MADE.

4. DIRECTOR INDICATED THAT SIEMENS IS STUDYING OTHER FIRMS IN THE LARGE COMPUTER FIELD TO DETERMINE WHETHER SOME SORT OF COOPERATIVE ARRANGEMENT MIGHT BE WORKED OUT THAT WOULD GIVE SIEMENS ACCESS TO ADVANCED DESIGN TECHNOLOGY. APPARENTLY UNIVAC WOULD BE THE FAVORED CANDIDATE SINCE SIEMENS FEELS THEY WOULD HAVE THE LEAST INTERFACE PROBLEMS WITH UNIVAC EQUIPMENT. IT SHOULD BE NOTED THAT SIEMENS SOLD ITS FORMER BRAZILIAN OPERATIONS TO UNIVAC IN 1972, AND THAT GOOD RAPPORT ALREADY EXISTS BETWEEN THE TWO FIRMS.

5. SIEMENS IMPLIED THAT THE GERMAN GOVERNMENT HAS APPROVED THE LIMITED OFFICIAL USE

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TENTATIVE CONTACT WITH UNIVAC. FRG IS NOW SUPPLYING MAJOR SHARE OF DEVELOPMENT FUNDS FOR SIEMENS COMPUTER PROJECTS, AND WOULD NATURALLY HAVE TO APPROVE ANY SERIOUS COOPERATION AGREEMENT WITH A FOREIGN FIRM. THIS ALSO SUGGESTS THAT FRG WOULD SUPPORT SIEMENS IN DEVELOPMENT OF OWN CAPABILITY IN COMPUTER FIELD, OUTSIDE OF EC COOPERATION AGREEMENTS IN THIS AREA.

6. HONEYWELL HAS APPROACHED SIEMENS MANAGEMENT ON THE POSSIBILITY

OF ESTABLISHING SOME SORT OF COOPERATION AGREEMENT BETWEEN THE FIRMS, BUT NOT NECESSARILY WITH THE CII-HONEYWELL GROUP. THAT HAS SO FAR MET A COOL RECEPTION BECAUSE SIEMENS DUBIOUS ABOUT HONEYWELL' DESIRE AND ABILITY TO MAINTAIN "ARMS-LENGTH" SEPARATION OF ITS COOPERATION AGREEMENTS WITH SIEMENS AND ITS OBVIOUS GREAT INTEREST IN PROMOTING A VIGOROUS CII/BULL. SIEMENS OBVIOUSLY DOES NOT WISH TO AGAIN EMMESH ITSELF WITH CII THROUGH A THIRD PARTY.

7 COMMENT: IT SEEMS QUITE CLAR THAT SIEMENS ATTITUDE TOWARD UNIDATA IS "UNIDATA IS DEAD; BRING ON THE NEW PARTNER." SIEMENS INTENDS TO FORGE AHEAD IN THE MEDIUM TO LARGE SIZE COMPUTER FIELD IN EC REGARDLESS OF PROBLEMS ENCOUNTERED IN FINDING A SJITABLE PARTNER TO HELP IT WITH DEVELOPMENT PROBLEMS. WHILE THE DATA DIVISION ACCOUNTS FOR LESS THAN 10 PER CENT OF SIEMENS PROFITS, IT IS FELT TO BE EXTREMELY IMPORTANT TO THE FUTURE HEALTH AND WELL BEING OF THE FIRM. IT IS VERY UNLIKELY THAT SIEMENS WILL DEPART THE COMUTER FIELD WITHOUT A LONG AND HARD FIGHT FOR SURVIVAL.

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